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United States Coast Guard

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United States Coast Guard

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COMDTINST M4200.40

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COMMANDANT INSTRUCTION M4200.40

Subj: Project Resident Office (PRO) Guide

1. PURPOSE. This instruction provides broad general guidance for the organization, operation and administration of Project Resident Offices (PROs).

2. OBJECTIVES. The objectives of this Instruction are:

   a. To improve the acquisition of major systems through the introduction of standard guidance to Commanding Officers of PROs.

   b. To provide a broad base for an individual PRO to use in developing detailed procedures to meet the requirements of the specific contract being administered.

   c. To be a vehicle to incorporate experience and "lessons learned" from executing acquisition projects.

3. CHANGE AND ADDITIONS. Changes and additions to this manual will be issued by Commandant (G-A).

4. ACTION. Area and District Commanders, Superintendent of the Academy, Commanders of Maintenance Logistics Commands, Unit Commanding Offices and Special Staff Divisions in Headquarters shall be guided by the contents of this manual.

KENT H. WILLIAMS
Chief, Office of Acquisition

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CHAPTER 1

INTRODUCTION

A. **Purpose and Scope of Manual.**

This manual establishes broad general guidance for the organization, operation and administration of Project Resident Offices (PROs) which administer contracts for the acquisition, conversion or repair of ships, boats and aircraft under the direction of Commandant (G-A). No statement or discussion in this Manual is intended to alter or influence the provisions of any particular contract. In fact, the provisions of the particular contract supersede all else. Accordingly, anyone associated with a particular contract must thoroughly understand what is required of the Government and of the contractor.

B. **Organizational Relationships.**

The Commanding Officer of each Project Resident Office (PRO) reports directly to a designated Project Manager (PM) in G-A. Liaison with other field commands such as Supply Centers, Maintenance and Logistics Commands, and other organizations is authorized to ensure normal functions operate smoothly and efficiently. All substantive project related issues however, flow through the designated PM. An overview of the organizational relationships and roles envisioned in the acquisition of major systems is contained in the Coast Guard Systems Acquisition Manual, COMDTINST 4150.2 series.

C. **Procurement Authority.**

The PRO's performance of the contract administration function derives from authority delegated by the Head of the Contracting Activity (HCA). It is further defined by the various laws, regulations, and directives which provide guidance for the administrative process. The HCA for the PRO is Commandant (G-ACS).

D. **Unit Instructions.** Each PRO is authorized to issue instructions and notices governing the internal operations of the unit. Instructions and notices may also be used to further amplify or modify the provisions in this manual for compliance with contract provisions or to establish or explain organization, policy, and procedures of the PRO.

E. **Changes to the Manual.** Proposed changes to this manual should be submitted to G-AT. This Manual will be kept current by amending as necessary.

CHAPTER 2

PRO ORGANIZATION

A. **Background.**

1. Purpose. The purpose of this section is to discuss the development and design of a PRO's organization. The basic organization and command relationships of a Coast Guard unit, addressed in Coast Guard Regulations (COMDTINST M5000.3) are not repeated; only those issues that are different at a PRO are discussed. Additionally, primary and collateral duties unique to a PRO are described and defined.

2. Definitions. A Project Resident Office (PRO) is a unique type of organization within the Coast Guard; it is a short term organization comprised of a group of experienced professionals to accomplish one specific task, the administration of an acquisition contract. The contract can be for the acquisition of a ship, plane, boat, electronics or software system, or a major overhaul, update or repair of any of these. A PRO is established at the award of a contract to work with the contractor and disbands after the contract has been completed. Because of this, the organization of a PRO is very important and greatly affects the ability of a PRO to complete its mission.

B. **Organizational Mission.** To establish an effective and efficient organization, the PRO's organizational mission must be clearly stated:

1. Administer a contract so as to deliver a product (Ship, Plane, Boat, or System) that meets contractual requirements for quality, performance, cost and schedule.

2. Document any improvements or additional work that is beyond the scope of the contract, for accomplishment at a later date.

3. Facilitate the entry or return of the product into the Coast Guard.

4. Provide a safe, satisfying, and challenging work place for all people assigned to the PRO.

C. **Organization Design and Development**. There is no single best organizational structure for a PRO. Several factors are important in designing the PRO, but the most important is the structure of the contractor's organization. The primary purpose of a PRO, delivering a product, requires continual, direct, formal and informal communications between a PRO and the contractor. As such, a PRO organization should parallel the contractor's organization, so working relationships at all levels can be established. The "standard" organization described below should be adjusted to fit each PRO's situation.

1. Standard Organization. Under the direction of a Commanding Officer and Executive Officer, a standard shipbuilding PRO is comprised of five divisions: Technical, Quality Assurance, Contracting, Administration, and Logistics. Each of these divisions is broken into smaller work groups to match the contractor's organization, to suit the Coast Guard rating structure, and to take advantage of individual expertise and personalities.

2. Technical Division. Technical Division is primarily responsible to the contracting officer for the review of contractor documentation to ensure the design complies with the requirements of the contract. Additionally, they recommend technical changes or additions to the contract and develop government estimates for contract modifications. The Technical Division works primarily with the contractor's engineering department in their review. They may also work with the contractor's technical publication group, provisioning group, or Research and Development group. The Technical Division will generally review the following contractor submitted documentation:

   a. Working and final plans (including engineering analysis, design review reports, etc.);

   b. Instruction Books (including technical manuals, Damage Control Book and Ships Information Book);

   c. Condition Problem Reports (CPRs);

   d. Engineering Change Notices (ECNs);

   e. Contractor Purchase Specifications/Purchase Orders;

   f. Contractor's Weight Control Program and associated weight reports;

   g. Launching calculations and docking plans (Cutters and boats); and

h. Inclining Experiment Procedure and Inclining Report (Cutters and boats).

The Division can be organized along functional lines at the branch level which should parallel the contractor's engineering department. For shipbuilding these functional branches could be:

(1) Hull, Outfitting and Mechanical Branch (MK and DCs);

(2) Electrical Branch (EMs); and

(3) Combat Systems Branch (ET, FT, GM, ST, and TTs).

Within the PRO, the Technical Division needs to work closely with all other divisions to ensure that information is shared and consistent. Close liaison with the Contracting Division is needed to ensure that technical matters are properly addressed in any contract changes or interpretations. Technical personnel assist in contract negotiations at the request of the contracting officer as technical experts; they develop Government cost estimates of contract changes and perform technical reviews of contractor change cost proposals. Engineering information must be shared with the Quality Assurance Division so that the product can be properly inspected and tested. Provisioning Technical Documentation (PTD) issues must be coordinated with the Logistics Divisions, to ensure that the documentation submitted matches the installed equipment.

The Technical Division also has significant contacts outside of the command. They consult with the respective technical groups in Commandant (G-E) and the U. S. Navy or other DOD agencies, and with commercial suppliers.

3. Quality Assurance Division. The Quality Assurance Division works with the following groups from the contractor: Test and Trials, Production, Production Planning (for schedules), and Quality Assurance/Quality Control. This division is tasked with monitoring and inspecting (per the contract) the construction and testing of the product. This includes: review of the contractor's schedule, review and recommend approval of test procedures, testing and trials, oversight of the contractor's quality program, periodic inspections, in-plant inspections, and final delivery inspections.

a. The Division can be organized along functional lines, similar to the Technical Division.

b. Quality Assurance Division personnel are the front

line representatives of the Coast Guard, working directly with the contractor daily. In this capacity, they can resolve or identify minor problems at their initiation, rather than allowing them to fester into full-blown contract claims. All Quality Assurance personnel must be constantly aware that they may not direct the contractor to perform any additional work beyond that specified in the contract. Only the contracting officer can make contract changes and interpretations. There is a fine line between technical decisions and contract changes that must be kept in mind whenever working with the contractor. When in doubt - consult with the contracting officer.

4. Contracting Division. The Contracting Division works with the contractor's contract management, warranty and finance groups. Under the direction of the contracting officer, the Division is responsible for:

   a. verify and authorize progress payments;

   b. negotiating changes to the contract;

   c. interpreting the contract and specifications;

   d. administering the warranty program;

   e. managing the financial aspects of the contract; and

   f. obtaining policy guidance/advice as needed from G-CPM, G-ACS, G-LGL, G-LPL.

   Depending on the size of the PRO, the Division can be divided into the following Branches:

   g. Negotiation Branch;

   h. Contract Administration Branch;

   i. Warranty Branch; and

   j. Cost/Price Analysis Branch.

5. Administration Division. The Administration Division is a support group responsible for: personnel support to the PRO, supply, maintenance of the information system, routine Coast Guard administrative matters, and possibly the management of Government Furnished Equipment (GFE). The Division can be divided into three branches: Personnel/Administration, Supply, and GFE Branches. The Supply Branch deals with the contractor's warehousing

group and government vendors. The GFE Branch works with the contractor's GFE administrator. The Personnel/Administration Branch works with the contractor's administration group in paperwork management between the contractor and the PRO, and provides personnel support to the PRO.

6. Logistics Division. Various logistics functions can be performed by a variety of groups, such as Coast Guard personnel, the contractor, other government contractors, or any combination thereof. The Logistics Division will be responsible for coordinating with the appropriate provisioning activity for provisioning data requirements. In some cases, the Logistics Division may be tasked with the procurement of certain items for the ship, plane or system. The Logistics Division must work closely with the Technical Division in review and identification of equipment procured under the contract. The Logistics Division may also be responsible for receipt, review and approval of other logistics documents and data if designated by the contract.

D. **Sample Organization Chart for Shipbuilding Contract**. Figure (1) shows a standard organization for a shipbuilding contract and the relationship between the PRO staff (solid boxes) and the contractor's staff (dotted Boxes).

E. **Alternate Organizational Structures**. Alternate organizational structures include:

1. An Engineering Division which encompasses Technical and Quality Assurance Branches.

2. Functional organization at the division level, e.g. Structural (AM and DCs), Mechanical (MK and ADs), Electrical (EM and AE), and Electronics or Combat Systems Divisions (ET, AT, TT, GM, FT, and STs), performing both the technical and test/inspection tasks.

3. Small PROs and large PROs at the end of a contract may omit or combine divisions, such as a simple 3 branch structure of: Engineering, Logistics/Administration, and Contracting Divisions.

4. PROs involved in repair contracts could have a Repair Division, dedicated to preparing the repair orders and monitoring their progress.

5. Unit Supply Functions and GFE management duties can alternately be assigned to the Logistics Division.

F. **Organizational Evolution.** There are four different phases in the life of any contract; the PRO organization must be responsive to this evolutionary process. Generally, these phases can be described as:

1. Preparation. At the beginning, both the contractor and the PRO are trying to understand and interpret the contract specifications; the PRO's efforts and the majority of the staff will be conducting design reviews, in the Technical Division.

2. Production. Once the detailed design has been completed, the first product is built, tested and delivered; emphasis will gradually shift from the Technical to the Quality Assurance Division, i.e., production work-up mode.

3. Deliveries. After the first delivery (on multiple product contracts), the contract enters a more routine production phase, with most of the emphasis on the Quality Assurance Division.

4. Closedown. Finally, at the end of the contract, all of the products have been delivered; the warranty is being administered; and the contract is being closed out. The PRO's efforts are then focused on the Contracting Division.

G. **Collateral Duties.** In addition to the collateral duties required for all Coast Guard units, described in the Coast Guard Regulations and other publications, there are several collateral duty assignments that are unique to a PRO:

1. Contracting Officer's Technical Representative (COTR) - Discussed in the Contracting Chapter;

2. Warranty Administrator - Discussed in the Warranty, Chapter;

3. Docking Officer;

4. Weight Control Officer;

5. Industrial Security Officer;

6. Test and Trials Coordinator;

7. Photography Officer (to document the contract); and

8. Government Furnished Property Administrator (may be primary duty depending on nature of contract.

Besides Collateral duties, often there are ad hoc groups, boards, or details that are established at PROs:

1. Acceptance Boards;

2. Test Groups;

3. Contract Claim Evaluation Team;

4. Design Review Groups;

5. Precommissioning Details; and

6. Cost/Price Estimating and Negotiating Team (CENT).

H. **Summary**.

The key points of this chapter are:

1. **Read the Contract**; look for actions required of the government: reviews, approvals, submission of GFI, delivery of GFE. Ensure that the organization is capable of supporting these tasks. Watch particularly for items such as software, technical publications, PTD, spare parts, photographs and special tools.

2. Due to the unusual and unique mission of a PRO and its changing tasks, the organizational structure should be dynamic and evolve during a contract.

3. Empower personnel throughout the organization, particularly at the lowest levels. Any solution at the deckplate level is much simpler than at a higher level and is usually more timely. Encourage communications with the contractor at all levels of the PRO, but ensure that both PRO and contractor personnel know that only the contracting officer can make any contract change or decision that might obligate the government.

4. Normally, a PRO is established at the award of a contract; this means that the PRO must rapidly coalesce into an effectively functioning work group.

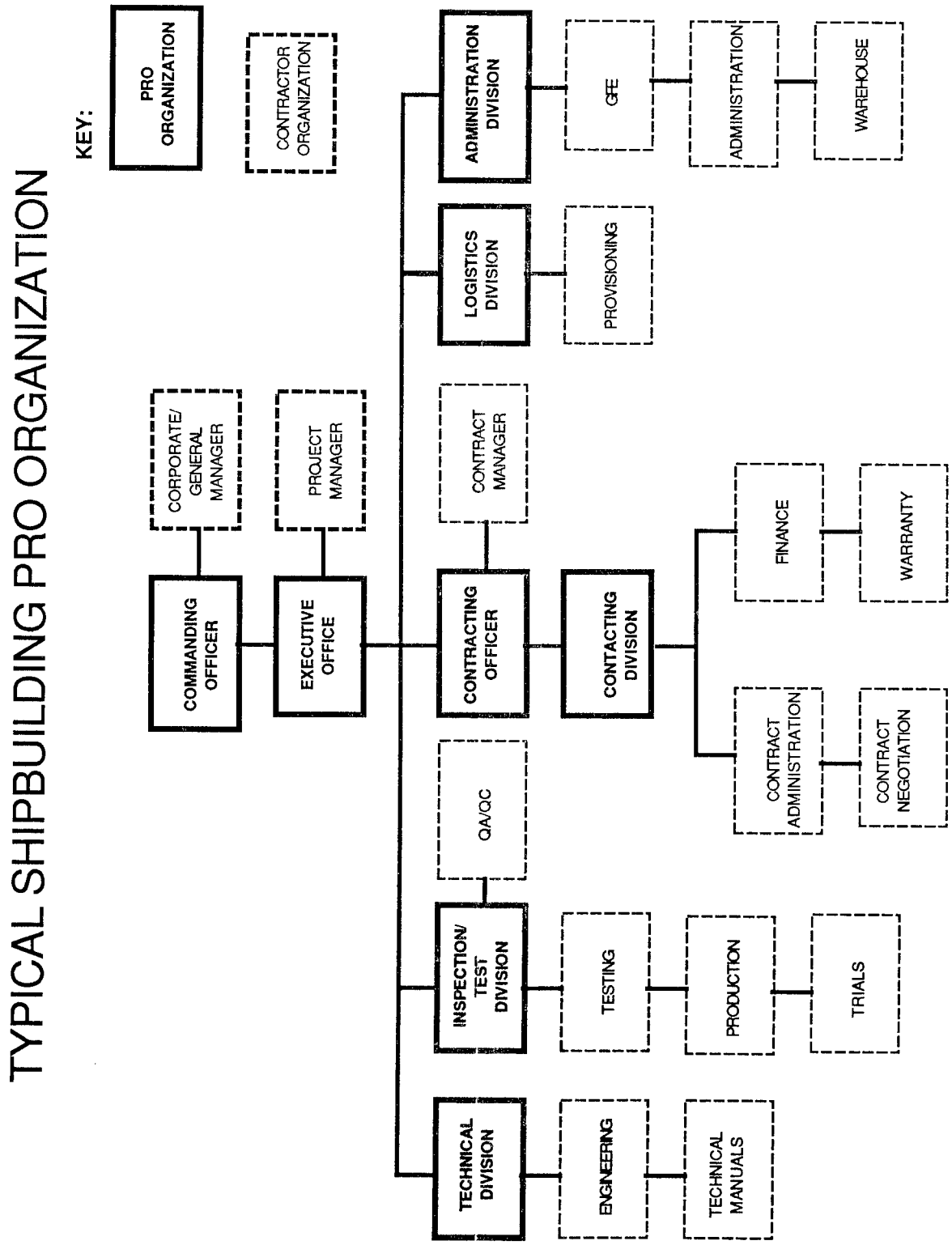

FIGURE 1 ORGANIZATIONAL CHART

CHAPTER 3

CONTRACT ADMINISTRATION AND MODIFICATION

A. **Background**. The purpose of this section is to provide some general guidance on administration and modification of contracts. This section does not provide comprehensive coverage of these subjects but rather includes some basic, practical suggestions to supplement the detailed procedures and requirements prescribed in the FAR, TAR, CGAP and other directives.

B. **Relationship with the Contractor**. Perhaps the most important function of the contracting officer in the administration of a contract is the establishment and maintenance of the relationship with the contractor. The success of the contract will, in large measure, depend upon establishing a satisfactory working relationship between the Government and the contractor. As the prime point of contact in the administration of the contract, no other Government official has (or should have) the influence that the contracting officer has in setting the tone of the relationship between the Government and the contractor. The contracting officer is required to ensure that the contractor receives impartial, fair, and equitable treatment. Further, contractual case law establishes that the Government has the duty to cooperate with the contractor in the performance of the contract. All too often, contracting officers fall into the trap of viewing contract administration as an exercise in law enforcement; they become so consumed in enforcement of the provisions of the contract that they lose sight of the purpose of the contract and fail to exercise good business judgment. Contracts are entered into to obtain needed supplies and services for the Government; thus, they are really a means to an end and not necessarily an end in themselves. The FAR specifically states that in order to perform their duties, contracting officers "should be allowed wide latitude to exercise business judgment." The contracting officer should work to nurture a mutually cooperative and positive relationship between the Project Resident Office and the contractor. This requires significant, continuing effort and is certainly as important a duty as insuring compliance with the terms of the contract.

C. **Interpretation of the Contract.** The contracting officer is the sole interpreter of the contract provisions and specifications. Contracting officers should be zealous in the maintenance of this prerogative; to ignore it is to invite chaos. This is not to say the contracting officer will not request and consider the advice of specialists in audit, law, engineering or other fields, as appropriate; however, the contracting officer has the sole prerogative of determining the meaning of the contract provisions and specifications. Contracting officers must continually ensure that the words and actions and even inactions of the other members of the Project Resident Office do not constitute interpretations of the contract provisions and specifications. The PRO staff must be conscious of the potential for problems and understand that all questions regarding interpretations of the contract provisions and specification must be brought to the contracting officer. Letters outlining the duties of inspectors or designating representatives of the contracting officer must make it clear that only the contracting officer interprets the contract and any questions must be referred to and resolved by the contracting officer.

D. **Communications with the Contractor.** Successful administration of the contract requires that there be a continuing dialogue between the PRO staff and contractor personnel. While free and open communications are absolutely necessary, there is always the danger that the statements or actions taken by PRO personnel may be construed by the contractor as authority to alter the terms of the contract. Written and oral communications between the PRO staff and contractor personnel must be monitored to insure that these communications do not have the effect of requiring the contractor to perform changed work. The efforts of the contracting officer should not be directed at constraining or terminating ongoing dialogues between PRO and contractor personnel, but rather, making sure that all are aware of the possibility for creation of a "constructive change" situation through inadvertent or misunderstood actions, conduct, or statements. The contracting officer should provide guidance to the PRO staff and to the contractor concerning written and oral communications; all must understand that only the contracting officer is authorized to modify the contract and that any questions must be brought immediately to the contracting officer's attention.

E. **Communications with Subcontractors.** The prime contractor has the responsibility for administration of subcontracts. Often, a subcontractor has a major element of the prime contract to perform and there is the temptation on the part of both the prime contractor and the Government to allow direct communications between the subcontractor and the Government. This temptation must be resisted because of the high potential for downline complications. All communications with subcontractors must be through the prime contractor.

F. **Modifications to the Contract.** The FAR, TAR, CGAP, and other applicable directives provide detailed guidance and direction concerning the mechanics of modifications to the contract and it is therefore not necessary to repeat them here. Typically, the Project Management Plan for each major acquisition will set additional limits on contract changes. The vehicle used to implement the modification, e.g. directed change, ceiling priced modification, etc., is the exclusive purview of the contracting officer and will of course depend upon the particular circumstances necessitating the change. Clearly, as a general rule, the less you modify the contract the better off you are. The contracting officer should insure that modifications are made only when absolutely necessary; the cumulative effect of a multitude of small changes can often be more disruptive to the progress of the contract than several major changes.

Frequently, in the administration of the contract, situations will arise where the specifications or contract provisions are inartfully written and there is the temptation to "clarify" or correct the poor wording either as a separate contract modification or as an inclusive element of a modification pertaining to an unrelated item. This temptation must be resisted unless the contractor has specifically requested guidance or the wording is so poor that it is impossible to reasonably ascertain the meaning and intent of the contract. To do otherwise, invites problems and provides a vehicle for claims and disputes because the mere fact that the contracting officer saw fit to clarify the wording is prima face evidence that an ambiguity existed. This applies also to correction of obvious punctuation, grammatical, and typographical errors - leave them alone unless specific guidance has been requested by the contractor or it is impossible to determine the original meaning and intent of the contract.

G. **Evaluation of Contractor Cost Proposals.** The standard of compensation to the contractor for changes and modifications to the contract is "fair and reasonable." When the Government elects to make a change to an existing contract,

the standard of fair and reasonable applies to the specific circumstances of the impacts of the change at the contractor's facility and not the cost in an open market or competitive situation. To properly evaluate the impacts of contract changes and modifications, PRO personnel must understand how work is accomplished at the contractor's facility. For many PRO personnel, their tour at the PRO will be their first exposure to close interface with the private sector. It will be their first experience with such things as union labor contracts, work rules, shift differentials, and overtime compensation all of which need to be considered when evaluating contractor cost proposals. As a result, PRO technical personnel fail to consider many of these factors when developing Government estimates and evaluating contractor cost proposals resulting in understatement of change cost impacts. Obviously, the contracting officer needs to thoroughly understand the contractor's production processes, organizational information flows and constraints imposed by such things as union work rules and labor contracts. As necessary, the contracting officer should conduct periodic training to ensure that technical personnel are also aware of these issues.

H. **Progress Payments**. Whatever the basis of progress payments, e.g., incurred costs, completed milestones or tasks, the obvious concern of the contracting officer is to ensure that the flow of funds provided to the contractor corresponds to progress on the contract. This simple rule frequently requires great effort to apply, and the contracting officer should use all means at his disposal to monitor and determine progress on the contract. Progress payments are the lifeblood of most contractors. Contractors will view any action causing interruption in their flow as adverse. Accordingly, any action delaying, interrupting or decreasing progress payments should be taken only after substantial consideration by the contracting officer. The contracting officer has the responsibility of protecting the interests of the Government, but should also remember that the FAR provides for flexibility in curing progress payment imbalances and specifically warns against taking arbitrary and precipitous actions.

I. **Files and Contract Documentation**. The FAR, TAR, and CGAP prescribe the requirements for obtaining various clearances and documenting contractual actions. With all of these requirements it is sometimes easy to lose sight of the fact that the contract files, in total, must constitute the Government's corporate "memory" of the contract. Sometimes the burden of complying with the myriad of clearances and prescribed formats seems to negate the practical utility of contractual file documentation. At the very least, the

contracting officer should try to make sure the files tell what happened, and explain the basis for the Government's actions. Preparation of contractual file documentation is at best tedious, often arduous, but always necessary. It is hard to over document the contract files. The best way to insure that complete contractual files are maintained is to set up a thorough system at the outset of the contract; easier said than done. The quality of files and file documentation will tend to diminish over time unless continuing emphasis is placed upon the preparation, maintenance, and quality of contractual file documentation. The contracting officer must continually work to maintain the systemic discipline at the PRO to ensure that proper file documentation is prepared in the normal course of business by all elements of the PRO. This is a never ending task which, unfortunately, comes with the job of contracting officer.

CHAPTER 4

TECHNICAL DOCUMENTATION CONTROL AND REVIEW

A. **Introduction**. All major acquisitions of hardware or systems are a result of the proper integration of the basic resource ingredients of labor, material, and design. It is the intent of this chapter to highlight the design aspect of the acquisition, both from the contractor's and the PRO's point of view.

It must be realized that all material procurement efforts and production labor efforts are driven and fed by the engineering design efforts which must proceed them. Maximum efficiency of the acquisition process results from a well sequenced and timely executed design process. In general, the more overlap, or concurrency, that exists between the design process and material procurement and production, the higher the risk to the acquisition proceeding in an orderly fashion. A collapse, or failure of the design process to maintain pace ahead of material and production resources, will most assuredly be costly from a time and labor standpoint to both the contractor and the customer. The quicker the PRO comes to grips with the critical importance of the role they play in the design process, (as a reviewer) the smoother the acquisition will be. Key catch words that must consistently characterize the PRO's technical review efforts are: a) timeliness, b) reasonableness, and c) professionalism.

B. **Design Concepts**. Acquisitions can be generalized as being the results of three distinct phases of the engineering design process -- Conceptual Design, Contract Design, and Detailed Design. Conceptual Design is the responsibility of the customer and is generated early in the design spiral process. Further refinement of the conceptual design leads to the contract design. The contract design is the degree of design that is described by the contract. The contract design is also the responsibility of the customer. This is true even if the contractor originally performed the contract design because the contract design forms the content of the government's construction contract award.

During the performance of the contract, the contract design will undergo further refinement. This refinement of the contract design leads to the final detail design which is the responsibility of the contractor. Allowing the contractor the freedom needed to develop the detail design is at the heart of an orderly and efficient design process. This may sound overly simplistic but it is a difficult concept for many people assigned to a PRO technical review division

for the first time. The road from contract award to successful completion must be viewed as a path, whose boundaries are set by the contract requirements and specifications. As long as the contractor's detailed design efforts are "on the path", he should be left alone. Only when the detailed design process strays from the path should a "course correction" from the PRO technical review occur. Always remember: the contractor is the professional and the detail design is his responsibility; let him do it.

C. **Contract Requirements.** The contract requirements define "the path." The requirements consist of numerous elements which are generally summarized as follows:

1. Detailed contract specifications;
2. Contract drawings;
3. Contract guidance drawings;
4. Contract specification referenced documents; and
5. Government furnished information.

First and foremost, the written specifications will take precedence over other forms of technical requirements and must be the initial starting point of any requirement investigation.

Contract drawings supplement written specifications. Typically, the contractor is allowed no deviations from the contract drawings. Conversely, contract guidance drawings are a step below and typically depict intended design features the contractor can build on to develop his detailed design. The PRO must realize the difference between these two types of drawings and allow the contractor the appropriate level of leeway in the review process.

The written specifications will undoubtedly reference other documents; i.e. Military and Federal standards, industry standards, Coast Guard publications, etc. These are typically referred to as "tier specifications" and the reviewer must realize the farther below the surface the referenced requirements are (i.e. 2nd, 3rd tier, etc.) the less binding they become.

Other technical contract requirements may be in the form of an equipment manual or technical publication for government furnished equipment; an interface control document; or other government documentation that the contractor feels necessary for the completion of his detailed design. Efforts in this arena should stress:

1. providing the information in a timely fashion; and

2. providing information which accurately depicts its respective equipment and/or system.

D. **Types of Technical Documentation.** Throughout the acquisition numerous forms of technical documentation will be required by the contract to flow through the PRO technical review process. The types addressed here are not meant to be all inclusive. Additional forms which arise from specific contractual requirements should be addressed with the same constructive philosophy as addressed herein. Typical are:

1. detailed design working drawings;
2. detailed design change notices/revisions;
3. purchase specification/purchase orders;
4. technical/instruction manuals;
5. provisioning Technical Documentation;
6. miscellaneous Calculations/Reports; and
7. contract Problem/Discrepancies Reports.

Detailed design working drawings are the "meat and potatoes" of the contractor's detailed design. They establish material call outs for the contractor's procurement organization and work instructions for his production trades. While the exact contract language must be consulted, typical language requires a contractor to submit a working drawing to the PRO prior to implementing procurement/production activities. Although the contractor has a responsibility to procure/produce only in accordance with approved plans, it must be noted that the contractor need only submit the working plan in order to implement it. The contractor, having developed the plan in good faith in accordance with the contract requirements, need not wait for the customer's approval. Thus, the onus of a timely and accurate review of the working plan by the PRO looms large in this process. The quicker the PRO communicates any nonconforming issues related to the working plan to the contractor, the sooner it will be corrected. The time to address items on a working plan is when the correction can be made with a drawing revision before the intended procurement/production effort. Correction after procurement/production has been implemented increases the impact of the resultant re-procurement/rework by an order of magnitude.

Detailed design change notices or revisions typically result from a need to make a change to a detailed design working plan. They may result from a PRO review comment or may be contractor initiated. Each acquisition will have its own vernacular for these revisions (e.g. Engineering change notices - ECN's, Design correction reports - DCR's, etc.) but rest assured the contractor will employ some type of engineering process by which to effect a change to his working plan. It is too expensive and time consuming to completely revise an entire working plan for each and every change. In addition, use of separate change notices allows

the particular change to be issued to the contractor's trades in a more timely fashion. These change notices must be reviewed with the same sense of timeliness as the working plans to which they pertain.

Purchase specifications/purchase orders that the contractor intends to issue are typically required to be submitted to the PRO. Normally, they are required to be submitted for information purposes, not approval. Again, the onus for timely review and notification to the contractor of nonconforming matters to prevent downstream problems rests with the PRO.

Technical/instruction manuals and provisioning technical documentation (PTD) are types of documentation that the PRO will receive for review. Both are critical and must be performed in a timely fashion early in the contract to support the item hardware at delivery. Yet both are typically misunderstood and under staffed by most PROs. In the fast paced environment of contractor procurement and production, it is easy for a PRO to adopt an attitude of "we'll get to those later". The PTD process typically involves Supply Centers Brooklyn and Curtis Bay for review of deliverables. The PRO must "stay in the loop" as the contracting officer ultimately determines when the contract requirements for PTD have been met.

Miscellaneous calculations and/or reports will be required to be submitted to the PRO for review; both as final deliverables and as periodic status submittals. These calculation/reports typically are weight estimates, weight control reports, launching calculations, inclining experiment reports, etc. Again the watchword is timeliness. Know when and how often these reports are required and take action to ensure they are submitted by the contractor in a timely fashion and follow through with a timely review on behalf of the PRO. The time to raise concern over the absence of launching calculations is not the morning of the scheduled launching as the dignitaries and band are assembling.

Contract Problem/Discrepancy Reports are likely to surface in a number of ways in a variety of acronyms. (e.g. DDRs - Design Discrepancy Reports, CPRs - Construction Problem Report, RCIAs - Request for Clarification, Interpretation, and Assistance). Whatever the terminology, each is a red flag from the contractor that has a contractual connection to it. Ideally, these issues are better handled by written correspondence to the contracting officer; however, circumstances may dictate a need for a more expedient method of communicating. If one of these formats is adopted, ensure that they are handled through proper contractual avenues.

While most will require some technical review, the technical review should remain at the PRO with all PRO-contractor interface dealt with via the contracting officer. Avoid granting advance technical approval without knowing what the contractual impacts are. Once again, timeliness is the name of the game -- do not let problems pile up and/or fester.

E. **Tracking/Monitoring of Technical Documentation**. It again is very important for the PRO to be able to provide status of technical documentation in any given area in a simple, quickly retrievable and effective manner.

Key elements to be monitored and have readily available status on, regardless of type of documentation, are:

1. listing of what is required;
2. progress of contractor in fulfilling requirement (e.g. amount submitted, amount approved);
3. listing of current items pending properly prioritized; and
4. identification of areas falling short (e.g. requiring follow-up/reminders).

While the actual details of every process are not discussed here, common sense dictates that for each technical documentation review responsibility you have, you must have a tickler system that allows for timely action, timely prompting for follow-up, and accurate report of status.

F. **Key Principles of the Technical Review Process**. Listed below are a number of proven principles which, if understood and adhered to by all PRO personnel, will ensure a smooth, efficient engineering detail design process.

1. Remember the detail design responsibility rests with the contractor. Do not impose your preferences on his design.

2. Think twice before advising the contractor if a specific contract specification cannot be cited to cover the nonconforming issue. While what the contractor has done is not what you would have done, in all likelihood, it is probably in accordance with the contract.

3. Avoid "directive language" in technical review comments. Eliminate "shoulds" and "shalls". Advise the contractor what is not in accordance with the contract and let the contractor carry out his detail design responsibilities to correct it.

4. Prohibit the use of the words "acceptable or unacceptable" in the technical review process due to their contractual connotations.

5. Avoid comments based solely on a contract guidance drawing. Repeatedly calling out nonconforming elements in this manner elevates guidance drawings to the status of contract drawings.

6. Give each submittal a full and responsible review the first time. Subsequent submittals are only for review of the revisions. Do not re-review the whole submittal each time. This leads to out of sequence design corrections and more often than not, constructive changes.

7. Take note of review periods that the contract allows (e.g. working plans to be reviewed within thirty days). Do not exceed them, nor use them as a crutch. If you can do it sooner, do it.

CHAPTER 5

PROPERTY ADMINISTRATION

A. **General**. The administration of property during the life of a large acquisition presents one of the most significant challenges to both the contractor and the Government in terms of resource drain and maintenance of efficiency. More important is the possibility of tremendous cost overrun exposure inherent in delay and disruption to the contract if the management of contract-related property does not meet contractual requirements. A third result of an improperly managed property system is the delivery of an end-product which is not fully outfitted to meet its operational requirement or to provide adequately for the safety and habitability of its crew. If lack of accountability and mismanagement exist at the beginning of the PRO, the pace of activity in property administration will provide little or no opportunity to "catch-up". Assigning too few personnel resources to the Property Administration Branch is a tempting but costly approach too often taken.

B. **References**. Key references prescribing the property accounting and handling requirements will normally be found in the contract specifications and clauses, as well as property procedural manuals issued by the contractor. The acquisition regulations also provide specific direction concerning property. The contracting officer must work closely with the contractor from the start to align the contractor's systems to meet requirements. Whether or not the contractor's in-place property accounting systems meet the basic principles of prudent property accountability should be the guiding tenet in reaching a mutual understanding of how the contractual requirements will be met. The PRO should seek to have the contractor use his current property system to meet contractual requirements. Forcing the contractor to maintain more than one system for various contracts is contrary to both parties' interests and will cause unnecessary problems in the future.

C. **Types of Property**. Types of property requiring accountability are classified here by their origin, purpose, and relationship to the contract. Therefore, there are some distinct characteristics of and requirements for each type's accountability system. The accountability systems established should be based not only upon the type of

property, but also upon the contractual requirements, established property procedures of the contractor, and the various sources of supply with which each party must deal. Terms used here may be defined differently in specific contracts. The actual characteristics of these types of property are, however, what various contracts do have in common.

1. Contractor-Furnished Property (CFP) - Property (material, equipment, or articles) provided by the contractor to fulfill or support a contractual requirement and part of the end product. Title to CFP will be transferred to the Government. Sources of CFP may be a subcontractor, manufacture by the contractor, or loan from other customers through a memorandum of agreement (such as Navy-specific test equipment loaned from the local Navy Supships facility). Tracking accountability of CFP until delivery of the end product will normally be carried out by the contractor with inventory information provided to the PRO through periodic reports. The PRO should not, however, be any less concerned about this property. Most contract liability clauses place the onus of costs of damage to such property upon the government (with responsibility for a deductible borne by the contractor). In addition, completion of the procurement phase for contractual requirements may have to be considered by the PRO in measuring the contractor's degree of progress toward completion.

2. Government Furnished Property (GFP) - Property provided by the government to fulfill or support a contractual requirement, or which is part of an existing facility turned over to the contractor for alteration, replacement, or disposal. GFP rather than CFP will tax most of the Property Administrator's resources and pose the greatest risk of contractual impact to the government. Management of GFP frequently requires interface with agencies outside the Coast Guard; thus by its very nature it is often cumbersome and time consuming. Not only must the government procure and track this property, but it is responsible for consequences of defective, late or undelivered GFP.

    a. Pre-Existing Property. Property (including entire cutters, aircraft) that is transferred to the contractor for performance of an upgrade or other contractual requirement is included in this category. The property usually requires overhauling, scrapping, excessing, or merely retaining "as is" until the delivery of the item

back to the government. The most important step before transferring this property is obvious, but easier said than done: conduct an accurate component inventory with contractor personnel. The government must ensure that equipment, systems and other components listed contractually as part of the item are actually present. If a joint inventory is not taken, each time the contractor reports that an item was not turned over as a part of a facility, the burden of proof on the government is almost impossible to meet.

(1) Turnaround Material - Found primarily in overhaul contracts, such as a major shipboard upgrade, turnaround material consists of items already attached to the government material turned over to the contractor, which the contract states is to be removed and either prepared for shipment and shipped to a designated overhaul facility, or simply turned over to the PRO for this purpose. The contract will usually state the requirement placed upon the government as to when it must have the material returned to the contractor, (required in-yard date) who then reinstalls it on the facility. This is one of the most difficult types of material to track, since it passes through numerous layers of custody.

(2) Retained Property. This property is either removed by the contractor from a facility and stored for safekeeping until reinstalled, or is merely left in place. This material tends to be vaguely tracked (if at all), and since it sits in semipermanent storage through most of the contract. No attention is given it until either it is discovered missing (the contractor will usually argue it was never transferred to him) or it fails to fulfill its intended function once reinstalled.

(3) Excess/Scrap Property - While both excess and scrap material exist in new and overhaul type contracts, the great majority of it occurs in overhauls, and is addressed here under that heading. Usually disposition of government property in the contractor's custody which is no longer to be used for the contract will be

determined in the contract; if not, it will be requested by the contractor. The PRO will determine, in accordance with the contract, whether it is to be scrapped or disposed of as excess property. Accountability records must be maintained at the PRO for this property, as well, by the party holding the material. If direction is given to the contractor for disposition action which is not required by the contract, allowable costs will be incurred for the additional effort.

b. New Property - Material that either replaces an existing item as part of an upgrade, or serves a new function or purpose for the facility being overhauled. This property should be relatively easy to track, and usually must be delivered to the contractor at a contractually specified date. This property will require the PRO to closely coordinate its shipment and receipt with Coast Guard, Navy, commercial supply sources, and the Project Manager. Two major problems will constantly arise with new property: 1) supply sources late in their delivery, and 2) systems arriving with subcomponents missing. Missing parts are often difficult to detect during a receipt inspection, especially when performed by a non-technician. A careful, methodical joint receipt inspection must be held with the contractor to determine, as soon as possible after arrival, if timely correction of discrepant shipments can be provided.

c. Test/Special Purpose Equipment - Property that consists of equipment which does not become part of the end product, but is required during installation and testing of systems within the facility being built or overhauled. While the contract will normally require the contractor to provide most of these items, there will usually be some of this equipment specified in the contract as government-furnished. There may also exist a vague contractual area where certain test equipment is available only through government sources, or accompanies a particular equipment system when issued by the government. Although not specifically required of the government in the contract, responsibility to provide the equipment may very well rest with the government.

d. Post-Delivery Property - Material procured, inventoried, stored and then placed on or in the item by the government after contract delivery, such as operational space items (OSI) and storeroom items (SRI). This property will play not only an important role after delivery, but can serve as an indispensable timely resource for urgently needed GFP in the event of discrepant shipments provided to the contractor. For this reason, as well as for mandated accountability requirements, the PRO must maintain accurate and easily accessible inventory records of post-delivery property. This property should not be intermingled with other types, and must eventually, when delivery occurs, be provided as part of the end product outfitting.

D. **Phases**. There are three primary phases of property management in the life of a PRO: initial, production and contract closeout. While most activities discussed here occur in all phases, each phase is characterized by certain prominent activities or requirements. Thorough and timely execution of the requirements of each phase is critical for the success of each subsequent phase.

1. Initial Phase - This phase of property management begins at contract award and continues until commencement of production by the contractor. The following actions should be accomplished very early in this phase:

   a. specifically identify all property in each category described above, including the required delivery date for providing it to the contractor, if applicable;

   b. define and establish property data bases and property tracking mechanisms;

   c. coordinate with the contractor to develop a mutually agreeable and beneficial contractor property system; and

   d. establish a consistent follow-up system for maintaining the property status with all sources of supply.

2. Production Phase - This phase begins during the overhaul or production of the new requirement and continues until delivery of the final product. The property management actions prominent in this phase will be as follows:

   a. transfer GFP to the contractor;

b. receive turnaround material from the contractor;

c. provide disposition instructions to the contractor for excess and scrap material;

d. provide test and special equipment to the contractor;

e. receive contractually required property inventory reports from the contractor; and

f. effect corrective action (either replacement or repair) of GFP. (These actions maybe performed by either the government or contractor.)

3. Contract Closeout Phase - This is the final phase for property management, covering the period after delivery of the final product. Many of the tasks listed in this phase should be performed earlier in the contract to ensure an organized, timely closeout process. The actions inherent in this phase will be:

a. obtaining final inventory and property-use reports from the contractor; and

b. disposing of all remaining property.

CHAPTER 6

QUALITY ASSURANCE

A. **Introduction.** First and foremost, the PRO must realize and come to grips with the fact that the responsibility for establishing, implementing, and carrying out the quality assurance provisions of the contract rests with the contractor. It is the contractor's responsibility to ensure a process is in place and adequately staffed to effectively monitor ongoing engineering, procurement, and production functions and to ensure the requirements set forth in the contract and its specifications are met.

The role of the PRO, which will rest with the Quality Assurance Division, is to monitor the contractor's execution of his Quality Assurance (QA) plan. In other words, the PRO is not the contractor's QA; the contractor is required to have his own QA staff. How effective the contractor's QA staff is will depend largely on 1) how much emphasis the contractor places on it himself, and 2) how much emphasis the PRO places on it. It must be noted that in most commercial industries the QA function is performed by non-production, or overhead, type staff. Thus, there is very little incentive for a contractor to have a large QA staff. More often than not, the PRO will contend with a contractor who heavily relies on production to control quality (i.e. QC vs QA) by "doing it right the first time." This leaves a minimally staffed contractor QA organization to develop a QA plan which incorporates the specific requirements of the Contract and serve as the contractor's interface with the PRO's Quality Assurance Division. It is by no means an easy task and will require high level command attention early on to reach a reasonable, workable, and efficient relationship between the Coast Guard Inspectors and the contractor's QA/Production QC personnel.

B. **Contract Requirements.** The contract will lay out specific requirements which the contractor will be required to comply with to aid in demonstrating the end product will meet the specifications. While no attempt is made here to repeat these requirements, the PRO will generally be exposed to the following types of requirements:

1. mandatory check points/required inspections;

2. major equipment in-plant tests;

3. shipboard system tests;

4. builders dock trials;

5. builders sea trials; and

6. preliminary acceptance trials.

It is normally the Quality Assurance Division's role to monitor each of the above efforts. Most of them will require the contractor to develop a test, trial, or inspection procedure which must be submitted to the PRO for review and approval. As in the review of technical documentation, this test/inspection procedure review process should be done in as timely a manner as possible. Early identification and correction of procedure problems will preclude more costly downstream hardware problems. Each element should also have an accurate and effective tracking system.

C. **The Role of the Project Quality Auditor**. The Coast Guard auditor is the eyes and ears of the Contracting Officer's Technical Representative. He allows the COTR to accurately advise the contracting officer as to the status of ongoing production. No other element of the PRO staff will be in as close proximity to the contractor as frequently, and in as many critical situations as the "deck plate" Coast Guard auditor. Simply put, when the auditor is in the presence of contractor personnel the name of the game is "eyes and ears open, mouth shut". All comments from the Coast Guard auditor should be reserved for in-house at the PRO. This is the only way to ensure the PRO will speak with one voice and will maintain the sanctity of the contracting officer's sole right to interpret the contract.

All of the PRO's actions with regard to quality assurance audits and witnessing tests and trials must be governed by the overriding importance of timely notification to the contractor. Nonconforming matters must be brought to the contractors attention in a time and manner that will minimize the time and effort associated with the rework.

CHAPTER 7

FUNDS CONTROL AND MONITORING

A. **General.** Project funds for a particular project will typically be obtained by the PM and transferred to the PRO in advance of the PRO's need to obligate them. Funds may reside in one specific point account, many different accounts and program years, and/or various non-Coast Guard accounts. Having a minimum number of funding accounts will significantly reduce the complexity and amount of resources expended for accounting functions at the PRO. The PRO must keep the PM informed of upcoming funding needs. This is usually done through periodic status reports.

B. **Budgeting.** The project budget will be prepared by the Project Manager; however, the PRO Commanding Officer is responsible for establishing an internal budget for the current and all future fiscal years. The spending plan directly impacts on future project budget submissions. As the PRO executes a current appropriation, the Project Manager is actively working the next two year budgets.

C. **Approval Levels.** Procurement and contract action approval levels for each PRO are established by the level of contracting officer authority at the PRO, the HCA and any specific additional guidelines by the PM.

D. **Accounting Procedures.** The PRO should use the accounting systems promulgated and used Coast Guard-wide to avoid duplication of support requirements, incompatibility with systems used by higher accounting levels, to whom the PRO submits financial information, and difficulty in training of personnel caused by unique nonstandard systems. System and report formats which track the many sub-accounts at the unit (contract funds, government furnished property, administration, outfitting, etc.) should be incorporated by the PRO to meet its unique requirements, organization and internal accounting needs and external reporting needs.

1. Large Unit Financial System (LUFS). Unless the PRO is especially small, LUFS will be used for financial accounting in accordance with COMDTINST 7300.5 (series).

2. Department Accounting & Financial Information System (DAFIS). If the PRO is particularly large, it may have direct access to DAFIS.

E. **Managerial Accounting.** Due to the high visibility of major systems acquisitions it is important that the Project Office be able to answer various questions associated with project cost. These questions will most likely relate to the cost per production unit, as well as indirect costs. The Office of Acquisition uses the Managerial Accounting Project Breakdown Structure (MAPBS) and the Project Office Financial Reporting System (PROFRS) to aid in managerial accounting.

1. Managerial Accounting Project Breakdown Structure (MAPBS). The MAPBS is a code assigned to every LUFS transaction for managerial accounting purposes (tracking indirect costs). The code is used to track expenditures in specific areas of project accounting. Each unit expending project funds will use the MAPBS code to identify the transaction and how the funds are to be allocated.

The following is an example of a MAPBS:

Category Code	
Administration	AD
Claims	CL
Equitable Price Adjustment (EPA)	EP
Field Activities	FA
Government Furnished Material	GM
Government Furnished Equipment	GE
Logistics	LG
Modifications/Change Orders	MC
Prime Contract	PC
Publications	PB
Retrofit	RT
Support Services	SS
Training, Staff	TS
Training, Crew	TC
Test and Evaluation	TE

Field Use. The three character Field Use field is available for PROs to use without restriction or limitation. It is intended to be structured along the lines of the PRO organizational structure. Do not use this field as a substitute for the function codes. If a PRO does not use this field, "000" should be entered.

2. Project Office Financial Reporting System (PROFRS). PROFRS provides managerial accounting information to the Project Managers.

The primary input to PROFRS comes from LUFS. PROFRS requires the use of the MAPBS code in the LUFS project number field. PROs are responsible for providing this input, in the form of a LUFS report attached to an E-Mail message, monthly.

CHAPTER 8

WARRANTY ADMINISTRATION

A. General. Warranty administration requirements will be driven by the specific warranty provisions in the contract. There is a tendency on the part of both the contractor and the PRO to treat warranty items as an afterthought. To the contractor, the correction of warranty items represents real, out of pocket expenses that directly impact the profitability of the contract. Naturally, contractors want to limit warranty exposure and expenses. For the PRO, the staff time devoted to resolution of warranty efforts is frequently taken "out of hide" and requires that personnel be diverted from ongoing quality assurance and administration functions. The importance of effective and efficient warranty administration cannot be overstated -- warranty administration is the PRO's "face to the fleet." The fleet's judgement of the quality of the delivered product will, in large measure, be formed by the relationship with the PRO/contractor after delivery - during the warranty period. Satisfaction with an excellent product from the PRO/contractor can be severely damaged by poor response to warranty items. In other words, pay attention to warranty items because the PRO's reputation and the customer's satisfaction will be riding on it.

B. Warranty Relationships with the Contractor. Frequently, contractors do not have established policies and organizational structures for warranty administration. It is up to the contracting officer to initiate actions to ensure warranty administration is given the attention it requires. Early action is the key to success; well in advance of delivery (preliminary acceptance), the contracting officer should determine whether or not the contractor has a viable, in-house structure and established procedures for resolution and correction of warranty items. If it appears that the contractor is ill-prepared or lacks warranty resolution capability, the contracting officer must work with the contractor to establish organizational structures and procedures to ensure that warranty items are corrected in a timely manner. Depending upon the individual circumstances, the contracting officer's efforts may range from merely offering suggestions to having to cajole or even coercing the contractor into establishing a warranty administration and response capability. Usually, the fact that the PRO has indicated that warranty item resolution is important is sufficient to encourage the contractor to take active interest. If at all possible, a positive, cooperative tone

should be maintained and the contractor led to the understanding that effective warranty administration is also in his best interest. If the contractor is in a loss position; has demonstrated poor quality control; or has been reticent in establishing effective procedures to correct warranty items, it may be necessary for the contracting officer to consider implementing more severe remedial action (progress payment retainage) to ensure that warranty items will be corrected. This, of course, should be a last resort, and implemented only when absolutely necessary.

C. **Warranty Relationships with PRO Customers**. The PRO must work with the customer (whoever is going to receive the ship/boat/aircraft) and establish procedures for reporting and correcting warranty items. The PRO and specifically, the contracting officer, is the final authority for determining whether or not a failure or problem is, in fact, a warranty item. Further, the customer must be made to understand that the vehicle for determining warranty coverage and resolving problems is the PRO -- not action by the ship's company or direct contact with the contractor. The customer must be provided with guidance as to what is and is not a warranty item -- this is often difficult to do particularly where Government furnished material has been incorporated into the final product by the contractor. Close liaison with both the customer and the contractor are required. The PRO has a difficult balancing act to perform: the customer wants everything corrected immediately yet the contractor must be given a "reasonable" time to correct deficiencies in a prudent and economical manner.

D. **Warranty Administration Instruction/Manual**. The extent of detailed warranty administration instructions developed by the PRO will be dependent upon the contract's specifications and warranty provisions; length of the warranty; the number of units delivered; and the complexity of the product. Longer warranty periods, more complicated products and higher numbers of delivered units will require that the PRO develop more extensive, detailed instructions and tracking procedures. In the past, some PROs have found it useful to publish warranty manuals, which provide detailed instructions on all facets of warranty administration and establish points of contact for reporting and resolving warranty problems. Key issues that need to be addressed in a warranty instruction or manual are:

1. protocols for reporting and tracking warranty items;

2. specific points of contact between the customer and PRO;

3. warranty coverage guidance;

4. question/problem resolution procedures;

5. disputed item procedures;

6. emergency remedies; and

7. guidance on actions which may invalidate warranty coverage.

Depending upon the extent of the warranty administration function, it may be beneficial for the PRO to establish warranty administration as a separate staff element at the PRO. Whatever the specific requirements dictated by the particular contract requirements and situation, actions taken early to establish warranty administration organization and procedures within contractor, PRO and customer organizations will pay large dividends later on.

CHAPTER 9

INFORMATION RESOURCE MANAGEMENT

A. **General**. Like all other Coast Guard units, PROs will use computers extensively. Accordingly, the following guidance applies:

1. All normal Coast Guard policies and directives regarding IRM apply. These include ADP procurement policies, maintenance practices and security requirements, among others.

2. All use of ADP equipment should be of productive value in performing the mission of the PRO. The organization must be flexible throughout the life cycle of a PRO, so must be the users of ADP equipment. Information critical at the conception stage of the PRO is not necessarily as critical, perhaps not even meaningful, at another stage. Caution must be paid to generating computer reports which have lost their utility, and attention must be paid to determining what information is relevant at the particular phase of the contract.

B. **Special Aspects of IRM at a PRO**.

1. PROIS is a special software package designed to assist PROs in conducting their business by storing and manipulating a variety of information. It currently operates on a Digital Equipment Corporation VAX computer and can be accessed with a variety of terminals, including the CG Standard Workstation. The PROIS Users manual and the PROIS System Administrators Manual detail the use of this software. The program is menu-driven and has multiple modules, including:

   a. Correspondence Module. To provide information on contractual related correspondence.

   b. Warranty Claims Module. To capture information on all warranty issues by hull or class.

   c. Contract Deliverable Requirements List (CDRL) Management Module. To file information on reports, test procedures, or hardware and other documentation specifically required by the contract as a deliverable to the Coast Guard.

d. Drawing Review Module. To maintain information on drawing submissions, reviews, status and approval.

e. Discrepancies Module. To maintain information on any variety of discrepancies identified by the contractor and submitted to the PRO for a resolution. Discrepancies may be Condition Problem Reports which identify a condition that the contractor believes should be rectified; a Design Problem Report which notifies the PRO that a design problem or conflict exists either in the contract specifications or other government furnished information; a Request for Deviation which requests a change from the specification; or any other similar matter.

f. Proposal Review Module. To file information on questions, comments, and clarifications regarding the initial RFP, the subsequent proposals, and the awarded contract.

g. Modification/Work Order Module. To track the process of contract modification from work order initiation through technical review, audit, RFP generation and final negotiations.

h. Quality Deficiency Reports Module. To store information regarding a notification by the PRO to the contractor that the quality of workmanship and/or materials does not conform to the contract specifications.

i. Case Management Module. To provide the capability of developing a "case file" for a particular issue by combining all related documents that pertain to that issue.

C. **Configuration Management**. A Configuration Management system is under development. When complete, it will allow the tracking of the configuration items for an entire project class, from the beginning of the project. Upon completion of the project, the database will be transferred to Commandant (G-E) to assist in configuration management over the life of the system.

D. **Other IRM Matters**

1. IRM Coordinator. Because of the high volume of information processed at a PRO, a unit coordinator for Information Resources Management (IRM) should be designated.

2. IRM Security. The sensitivity of information processed at a PRO makes proper information security particularly important. A unit System Security Officer must be appointed to implement appropriate controls so that the PRO Commanding Officer can accredit operation of the system in accordance with COMDTINST M5500.13 and M5500.17 (series).

3. Electronic Mail. The standard Coast Guard electronic mail system should be used for intra-PRO communications and communications between the PRO and Headquarters whenever possible. The Office of Acquisition has implemented a data communications link between PROs and Headquarters. This link enables each PRO to easily and inexpensively transfer data and E-mail messages to Headquarters.

CHAPTER 10

PROGRESS MONITORING AND REPORTING

A. **Assessing Physical Progress**. Assessing the contractor's physical progress on the contract is a vital function in the Coast Guard's administration of construction and conversion contracts. Accurate assessment of physical progress is essential to develop preventive, and where necessary, corrective actions. Accurate assessments will help ensure delivery of items required by the contract schedule; provide a basis for determining the reasonableness of progress payment requests (see Chapter 3); form a basis for future planning; and allow prompt action to be taken on developments impacting other Coast Guard activities.

How the PRO assesses physical progress will depend upon the item being produced, the type of contract and other factors specific to the situation. The PRO should use all available information to assess physical progress, not just the representations of the contractor. It may be necessary or advisable to develop algorithms for assessing progress to supplement those developed by the contractor or prescribed by the contract. Determination of physical progress frequently requires the exercise of judgements and is at best an inexact science. This fact should be considered in all discussions with the contractor regarding physical progress -- the concepts of "fair and reasonable" apply here too.

B. **Reports by the PRO**. When the PRO is established, it is essential that the PRO and the PM mutually determine both the frequency and the content of any reporting requirements. The exact elements, of course, depend on the nature of the acquisition and the need for information by upper echelons. Flexibility must be maintained as the content of the report will probably change from conception through post-delivery because different functions assume more or less importance over the life cycle of an acquisition. Nevertheless, certain essential categories of information are always relevant. These include:

1. Contract Status ... current contract value, status of progress payments, modifications issued, escalation information, etc.

2. Production Status ... physical progress, adherence to schedule, quality and other related factors.

3. Logistics Issues ... both GFM/GFI to enable the contractor to meet his responsibility as well as outfitting matters which enable the platform to function after delivery.

4. Warranty Items

5. Funding and Accounting Matters

6. Factors relating to the contractor which impact or influence ability to perform such as financial status, technical capabilities, labor issues, etc.

The above refers to written reports but is equally applicable to numerous verbal briefings made during the life of a PRO. It is strongly recommended that the core of any briefing address the above factors, modified or deleted as appropriate for the particular audience. If the audience is unfamiliar with the project, an overview of the scope of work will also be necessary. Following this procedure will greatly simplify briefing preparation and ensure that a briefing is always ready.

C. **Meetings with the Contractor**. Regular meetings with the contractor to discuss physical progress and solve issues adversely impacting progress are generally beneficial -- provided the contractor is a willing participant at such meetings. Usually the contractor is glad to have regular meetings with the PRO to discuss progress on the contract. Care has to be taken to schedule progress meetings frequently enough to be helpful to both parties, but not so often as to be burdensome. The frequency of progress meetings will often depend upon the stage of the contract -- have them as often as both parties agree that they are useful. Making the contractor attend meetings he considers unproductive will only impede progress on the contract and may result in a request for equitable adjustment later on.

Briefings presented by the contractor to higher echelon personnel, such as the PM or other dignitaries, must be handled carefully from the contractual standpoint. Usually contractors are happy to make a reasonable number of presentations to Headquarters and other higher level personnel. Unless the contract specifically provides for such briefings on a periodic basis, the PRO is in the position of requesting the contractor's participation. This fact must be remembered and tactfully brought to the attention of higher echelons if requests for briefings and presentations by the contractor become onerous.

D. **Contractor Reports**. Other than the routine regulatory reports required doing business with the government, the contract specifications will dictate what reports the contractor must provide to the PRO. Of these, the only one deserving special comment is the Critical Path Method (CPM) report. If such a report is required, the PRO is cautioned that the CPM must have a direct correlation to actual production to be of any value at all. In this regard, the CPM must not be so detailed that it loses all semblance of reality, nor should it be so simple that it is trivial. Ideally, the contract will have required the contractor to demonstrate during the pre-award survey that his own CPM or production scheduling technique is acceptable. If this is the case, the matter will be straightforward. If not, common sense must prevail or the PRO will likely wind up with a meaningless CPM provided to satisfy paperwork requirements.

CHAPTER 11

CONTRACT CLOSEOUT AND FILE DISPOSAL

A. **Background**. This section offers general guidance and areas of concern applicable to the latter period of a contract. Specific guidance can be found in Federal Acquisition Regulations Part 4, Transportation Acquisition Regulations Part 1204, and the Coast Guard Acquisition Procedures. Other useful documents concerning closeout procedures include the "Contract Reference Administration Manual for Contract Administrative Services" (DCAM 8105.1) published by the Defense Logistics Agency, and the Department of Defense FAR Supplement.

B. **Contract Closeout**. As in all phases of contract administration, a little advance planning goes a long way. As a major procurement winds down, business needs will require a contractor to focus his resources towards other customers. His expediency and responsiveness may wane. The contracting officer should get the contractor thinking about an expedient and orderly closeout well before he begins to shift his staff from the project. PROs may face a similar reduction in manpower. Matters such as review and audit of billings and deliverables may require considerable time, especially to resolve discrepancies between contractor and government records. A unit instruction may be useful to inform all unit personnel of the plans to dispose of the files and the other closeout activities discussed below.

C. **Review the Contract**. The contracting officer's own planning should begin with a review of the entire contract for items pertinent to closeout. Areas that are not daily concerns or are delegated to others may require renewed attention. Areas such as industrial security, patents, and proprietary data may require special releases or reports.

D. **Audit & Review**. Progress payment and Economic Price Adjustment billings may need final audit or reconciliation. The Defense Contract Audit Agency may be able to review cost contract matters or special computations. Special contract features such as separate material or labor hours 'funds' should be checked. Retainage amounts to cover warranty or unresolved issues should be examined. In addition to items yet to be delivered and financial matters, some pertinent in-house audits include contractor and government-furnished equipment, disposition of jigs, fixtures and other special tooling, and final software deliverables such as drawings,

procedures, and final reports. Contract files must contain the proper waivers, Cost & Pricing Data certifications and other prescribed documents.

E. **Final Release**. Review the contract modifications and files prior to preparing the contractor's final release of claims, if required. Review the contract modifications and files for contingent liabilities or circumstances which may result in future claims or government cost recoveries. The final release should be just that, final. However, fairness and equity should remain the rule.

F. **File Disposal**. The final process of contract closeout is the disposal of contract files and records. The disposal process should be coordinated with the Project Officer. There will be a variety of records which will be subject to disposition. The exact list of files that will need to be prepared for retirement will depend on the circumstances of the particular contract. The goal of file disposal is to provide archives that will allow anyone to "reconstruct" the procurement. Typical files include contract award with technical specifications, preaward documents, modifications, superseded contract pages from modifications, correspondence files, payment records, government property records, provisioning technical documentation, warranty records, and acceptance files. Acceptance files include tests and inspection reports, compartment closeouts, tank and void closures, deliverable photographs, and transfer documents (copies of DD-250's and DD-1149's). The Paperwork Management Manual provides guidance on storage and disposition of files.

G. **Continued Contractor Relations**. Finally, the contract closeout phase also requires continued emphasis on government contractor relations. It's easy for Program Offices to overlook the importance of relations during the closeout phase. Regardless of the range of emotions experienced during the contract, closeout will help shape the lasting impressions of both parties. These impressions can affect future Coast Guard procurements. The Coast Guard's degree of professionalism, fairness, and competence in managing a procurement will be made known industry-wide. This reputation will influence those who choose to compete to provide the products and services vital to the Coast Guard.